

Chavereys

CHARTERED
ACCOUNTANTS

*Monthly
Farming
Update*

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I Policy issues

- 1 Defra has announced that, while it wishes to see the end of direct EU farm support, it accepts this cannot be achieved in the next round of reforms. This is particularly relevant given the UK's inability to influence EU policy. While the UK represents 12 per cent of the EU population, its citizens make up only 6 per cent of the European Commission's civil servants. Only Romania is less well represented yet it managed to secure the job of European Agriculture Commissioner, Dacian Ciolos.
- 2 The Conservative Party has launched "A New Age of Agriculture – the Conservative Agenda for British Farming", its agriculture manifesto. It calls the Rural Payments Agency "a shambles and a disgrace" and reveals that, if in power, the farming minister would be chairman of the RPA and would "bring back government accountability, reduce costs and drive performance." An industry-led review would be undertaken of all existing farming regulations to "reduce the burden of red tape without compromising standards."

II CAP (etc.) support details/payments

- 1 The Rural Payments Agency has advertised business worth £4-7 millions for a service provider to develop its website so that all farmers can claim Single Farm Payments online.
- 2 The Rural Payments Agency has met its target of making 90 per cent of payments by value by the end of March. More than 98,000 farmers out of a total of 107,500 have received payment in full.
- 3 The Uplands Entry Level Stewardship Scheme, which is to replace the Hill Farm Allowance, will have a fund of £31 millions to pay hill farmers for the general upkeep of the countryside. The main recipients will be farmers in the Peak District, Yorkshire Dales, Dartmoor and the Lake District.
- 4 The Rural Payments Agency has announced that 62 staff are to be released from its Newcastle office, half of which were working on Single Payment Scheme processing. SPS work is to be consolidated into offices at Northallerton, Carlisle and Workington. The agency is expected to reduce its staffing overall from 4,300 in 2007/08 to 3,500 by the end of 2009/2010.

III Grants/regulations/legislation/environment

- 1 Trewithen Dairy, the third largest milk buyer in Cornwall, has secured a £5.7 millions grant from the Rural Development Programme for England to expand the dairy at Lostwithiel from 25 to 44 million litres a year.

IV Other matters of farm finance and tenure

- 1 Total Income from Farming in the UK fell by 7 per cent in 2009 to £4.07 billions with average income per farmer falling to £21,000. The fall should be taken in the context of a substantial increase in 2008 and compares favourably with the £2.7 billions achieved in 2007. However, the total includes £3.6 billions received by way of Single Payments and other subsidies. Cereal incomes fell by 25 per cent, oilseeds by 23 per cent, potatoes by 16 per cent and milk by 10 per cent while beef incomes rose by 6 per cent, sheep by 21 per cent and pigs by 17 per cent.
- 2 The latest Anglia Farmers report shows that overall farm costs have risen by 2 per cent in the past 6 months. The main cause is a rise in fertiliser prices and the dairy sector has been worse hit with a 4 per cent increase.

- 3 Interest-free loans of up to £20,000 are available to farmers from the Carbon Trust to buy energy efficient equipment. The total fund available to farmers is £12 millions.
- 4 Bank lending to agriculture fell by £184 millions in December to £11.15 billions mainly due to Single Payment receipts but year on year lending rose by 4.1 per cent.
- 5 The Biotechnology and Biological Sciences Research Council has announced an Advanced Training Partnerships scheme with a fund of £15 millions. The scheme will support the development of staff within the agri-food sector.
- 6 AgriSkills Strategy has been launched, a new strategy which aims to ensure that agriculture and horticulture production delivers a skilled workforce.
- 7 NFU Scotland has developed an agricultural apprentice scheme focusing on practical farm skills and minimal college attendance.
- 8 The Knight Frank Farmland Index has reported a 164 per cent in the value of farmland over the past 10 years, from £1,944 to £5,123 per acre.
- 9 The Scottish Government has announced £3 millions of emergency aid for temporary buildings to house livestock as a result of heavy snowfalls. A cap of £6,000 would apply to each farm.
- 10 Farm Crisis Network, the Royal Agricultural Benevolent Institution and the ARC-Addington fund have combined to launch Farming Help, a body to help put rural workers with difficulties in contact with those who can help.
- 11 A poultry farm near Crediton, Devon has been fined £20,000 for employing illegal immigrant workers from Afghanistan and Namibia.

V Product prices

A. Crops

1. The cereals market remains bearish in nature with prices dropping further this month, not least as a result of weakening Sterling. The International Grains Council, in updating its predictions, has put world wheat production for 2009/10 marginally up on previous estimates at 675 million tonnes and increased its figures for 2010/11 by 1% to 659 million tonnes. Additional factors such as increased estimates of stock carry-over from the 2008/09 harvest and reports of favourable maize growing conditions in Brazil and Argentina are also adding to the pressure on world prices. Meanwhile, Strategie Grains maintains its view that the EU-27 2010 wheat harvest will be up 3% on that of 2009, but has revised downward its predictions of EU barley production, now down on 2009 by 7%. LIFFE wheat futures in late February, compared to January's closing position, were poorer in the short term, but marginally improved in the medium term: deliveries in May 2010 and November 2010 and 2011 stood at £94/tonne (down £7), £102/tonne (down £2) and £109/tonne (up £1) respectively whilst May 2012 futures held steady at £113/tonne. On the positive front, oilseed prices have seen a revival this month, gaining £16/tonne. Average spot prices in late February (£/tonne ex-farm): feed wheat 88; milling wheat 104; feed barley 74; oilseed rape 241; feed peas 131; feed beans 131.
2. Potato prices remain uninspiring. The average price dropped back to £107 early on in the month, but over the remainder of February this reversed. Prices in late February stood at £111 per tonne, the same as January's closing, which is 10 per cent below prices a year earlier. The free market price followed a similar vein, but dropped back slightly, ending the month down £2 at £90/tonne; 20% below the price in February 2009 (£113/tonne). Packers, only really interested in contracted crop at present, have been less dependent on the free market, pressurising free prices a little harder.

Premium quality samples, however, continue to market themselves. By late February, King Edward were achieving between £110 and £120 for general pack, with high quality samples reaching £150/tonne; Estima were obtaining between £70 and £90/tonne for wholecrop, up to £100 for high baker content samples; Romano prices weakened marginally to between £70 and £90/tonne; Desiree prices have tightened slightly, with general pack achieving £90 and £100/tonne, £130/tonne for best quality; Maris Piper prices have strengthened a little, but remain variable, generally £120 to £150/tonne but achieving anywhere between £170 and £210/tonne for quality samples.

B. Livestock

- 1 Average steer prices bounced back, albeit only to a small extent, gaining 2p/kg over the course of February. The closing position of 150p/kg lw was up 1 per cent on January's close and 3 per cent below closing prices a year earlier. The average heifer price held steady at 153p/kg lw, meaning that the premium over steers has now reduced to 3p/kg. The average price for dairy cows in late February stood at £1,382 per head, 10 per cent above the average at the end of January.
- 2 Lamb prices have slipped steadily back from the high point set last month. By late February the average UK lamb price was down 7p at 184p/kg lw, a drop of 3 per cent on January prices, but still 13 per cent above prices a year earlier.
- 3 The average pig price has demonstrated signs of resilience this month, gaining 2p/kg over the course of the month to close up 1 per cent at 141p/kg lw, which is now tracking 2 per cent above the average price a year earlier.
- 4 The average UK farmgate milk price for December (reported in February) stood at 24.70ppl. The average price a year earlier was 2.38ppl higher (8.8 per cent). Milk quota prices slipped slightly in February, with clean 4% butterfat holdings dropping back to 0.39ppl. Leased quota (4% butterfat) held steady at 0.07ppl.

VI Other crop news

- 1 Birds Eye has cancelled the contracts of almost half its UK pea growers as a result of the withdrawal of an Italian export deal. About 180 farmers covering an area of 4,500 hectares across Norfolk and Suffolk will be affected with lost income approaching £5.5 millions.
- 2 British Sugar and the NFU have announced a 4-year framework where the beet price will be determined annually, based upon a pricing mechanism developed by independent agricultural consultants.
- 3 British Sugar has announced that the 2009 sugar beet crop will exceed 70 tonnes per hectare and be the highest yielding on record.
- 4 British Sugar plans to rent 3,300 hectares of land this year with a view to growing over 200,000 tonnes of sugar beet claiming that it is cheaper than buying the crop from British farmers.
- 5 400 blight-resistant genetically modified potato plants are to be trialled at the John Innes Research Centre in Norfolk.
- 6 The new strain of rhizomania, which was identified in 2007 following an outbreak in Suffolk in resistant sugar beet varieties, has spread to Essex.
- 7 Suffolk Seed Laboratory, a new and independent licensed seed testing laboratory, has opened in Framlingham.
- 8 NIAB has opened a state-of-the-art glasshouse facility at Histon, Cambridgeshire as part of its programme of investment to update and extend its facilities for plant science, variety evaluation and seed testing.

- 9 The Biotechnology and Biological Sciences Research Council claims to have found a way to increase fermentable sugar stores in plants which could lead to more economic and sustainable methods of biofuel production.
- 10 The Greencore Group is to sell its malt business in the UK, Ireland and Belgium to Axereal, the French co-operative.
- 11 Scientists at East Malling Research Station have joined forces with colleagues from the National Resources Institute at the University of Greenwich, the University of Kent at Canterbury and Warwick HRI to share expertise with the aim of building a sustainable, integrated pest and disease management system for commercial growers to combat aphids, brown rot, plum fruit moth and light brown apple moth.
- 12 Data released by the World Apple and Pear Association suggests that this year's southern hemisphere apple and pear crops will reach 5.2 million tonnes and 1.4 million tonnes respectively. For apples this will represent a 1 per cent increase but a fall of 12 per cent for pears with exports forecast to be down by 9 per cent.
- 13 The Scottish Crop Research Institute has joined a consortium of scientists from Denmark, Sweden, Norway and Germany to undertake a project "ClimaFruit" with the aim of securing the long term future of the soft fruit industry. The project has a budget of £5.2 millions from partner nations and the European Regional Development Fund.
- 14 A study by the Scottish Crop Research Institute has suggested that British blackcurrants may hold the key in helping slow the progression of Alzheimer's disease.
- 15 Research published by the Scottish Crop Research Institute has indicated that eating baked rhubarb could help fight cancer.
- 16 Defra has commissioned East Malling Research and People Science & Policy Ltd to undertake a beekeeping study.

VII Other livestock news

- 1 A report by Global Industry Analysts indicates that the medium to long-term outlook for liquid milk is "encouraging" with the world market reaching 307 million tonnes by 2015. Growth in consumption will be focused mainly in India, China, Pakistan and the Middle East.
- 2 Plans have been submitted to North Kesteven District Council in Lincolnshire to create the UK's largest dairy farm with 8,100 cows. Nocton Dairies plans to bed the cows on sand and feed them on lucerne and crop by-products. Slurry will immediately be put through an anaerobic digester which will produce 2 megawatts of electricity, enough to power the dairy and more than 2,000 homes. The farm will employ 80 local staff and a full-time vet.
- 3 Latest TNS figures show that organic milk sales grew by 5 per cent year on year in the final quarter of 2009.
- 4 Latest reports from Eblex suggest that while there will be little change in beef consumption, the beef herd is expected to decline by 2 per cent in 2010 and, as such, the trade for prime cattle should remain firm.
- 5 Figures from the Agriculture and Horticulture Development Board suggest that exports of lamb and mutton will have reached 90,000 tonnes in 2009, up from a low point of 80,000 tonnes in 2005 but well short of the 140,000 tonnes which was achieved in the mid-1990s. France and Belgium account for 75 per cent.
- 6 Specialist pig producers are expected to achieve a 147 per cent increase in income in 2009/10 according to figures released by Defra.

- 7 Research led by Professor Christl Donnelly of Imperial College has claimed that badger culling is unlikely to be a cost effective way of controlling bovine Tb. The research analysed cattle Tb incidence around the Randomised Badger Culling Trials since they finished in 2005 and claims that, while culling resulted in a significant reduction in bTb incidence during the 2 and a half years after culling stopped, all benefits disappeared within 4 years. It claims the cost of repeated badger culls vastly outweighs the financial benefits of lower Tb infections in cattle.
- 8 The Biotechnology and Biological Sciences Research Council, the Department for International Development and the Scottish Government are to fund a £13 million plan to tackle livestock diseases such as foot-and-mouth, bluetongue and African Swine Fever in the developing world.
- 9 The Scottish Government has announced a consultation process on a Bovine Viral Diarrhoea eradication programme.
- 10 The withdrawal period for Coopers' Ectoforce and Osmond's Goldfleece, makers of organophosphate sheep dip, has been extended from 35 to 70 days. This means farmers will have to wait for the extended period before their sheep can be slaughtered or products made from them eaten.
- 11 Defra has announced that, to date, only 10 farms have applied for NVZ derogation which increases the farm limit from 170kg livestock manure nitrogen per hectare per year to 250kg per hectare even though it estimates at least 1,500 farms could benefit.

VIII Inputs/Supply businesses

- 1 Yara International, the global market leader in fertiliser, is to acquire Terra Industries. The combined operation would control 9 per cent of the world's supply.
- 2 The British Crop Protection Council has brought together the NFU, the Chemicals Regulation Directorate, the Horticultural Development Company, Defra, the Crop Protection Association and Velcourt to form working parties to consider the impact of looming pesticide legislation.
- 3 Bayer CropScience is to launch a new insecticide, Movento, designed to eradicate sucking pests from brassica and lettuce.
- 4 Approval has been given for the use of residual herbicide Pacthal W75 for use on salad onions.
- 5 Specific off-label approval has been given to fungicide Frupica SC for use on outdoor courgette crops.

IX Marketing

- 1 The European Commission has unveiled the "Euro-leaf", the winning design for the new EU organic logo. From 1 July the logo will be obligatory on all pre-packed organic products that have been produced in any of the EU member states.
- 2 Data released by English Apples & Pears reveals that Tesco's share of English apples sales has fallen from 25.6 per cent last season to 18.8 per cent so far this season. Asda's share has increased from 10.3 per cent to 13.2 per cent; Sainsbury's has risen from 26.8 per cent to 30.5 per cent; Morrisons is up to 19.1 per cent from 16.2 per cent.
- 3 A single website, www.eatwell.gov.uk has been created to hold all government information on food aimed at consumers.

- 4 The “Go!” mark (Genuine Own Produce) has been created by Defra and the National Farmers’ Retail & Markets Association, an accreditation system setting out a national standard for farmers’ markets.
- 5 IGD has produced research showing that support for local food has doubled over the past 5 years. 30 per cent of shoppers claim to have purchased local food over the past month compared to only 15 per cent in 2006.
- 6 The Automatic Licence System, which is intended to streamline importing of fresh produce and save the trade £1 million, has gone live. The system applies to goods controlled by the Horticultural Marketing Inspectorate or Plant Health and Seeds Inspectorate imported into England and Wales from countries outside the EU.
- 7 The Soil Association has reported that sales of organic produce have fallen by 13-14 per cent over the past 12 months but that the decline has “flattened out”.
- 8 A Which? survey of 13,025 shoppers has found Waitrose to be the best supermarket, closely followed by Marks & Spencer.
- 9 Florette is to invest £3 millions in an advertising campaign for its prepared fruit lines where the level of market penetration is only 37 per cent compared to 75 per cent for prepared salads.
- 10 Redbridge Produce and Flowers Ltd has been found guilty on five counts of breaching EC Marketing Standards in respect of quality and labelling of fresh produce. The charges related to the display of clementines, satsumas and Bramley apples of sub-standard quality and unlabelled cauliflowers and satsumas.
- 11 Morrisons has appointed Dalton Phillips as its new chief executive, formerly chief operating officer at Canadian food group Loblaw.

X Miscellaneous

- 1 Peter Kendall has been re-elected as President of the NFU, assisted by Meurig Raymond as Deputy and Gwyn Jones as Vice-President.
- 2 Tom Taylor has been appointed as chief executive of the Agriculture and Horticulture Development Board.

Postscript

Timely quotes

1. I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.
Winston Churchill
2. A government, which robs Peter to pay Paul, can always depend on the support of Paul.
George Bernard Shaw
3. A liberal is someone who feels a great debt to his fellow man, which debt he proposes to pay off with your money.
G. Gordon Liddy
4. Foreign aid might be defined as a transfer of money from poor people in rich countries, to rich people in poor countries.
Douglas Casey, Classmate of Bill Clinton at Georgetown University
5. Giving money and power to government is like giving whiskey and car keys to teenage boys.
P...J. O'Rourke, Civil Libertarian
6. Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.
Ronald Reagan (1986)
7. In general, the art of government consists of taking as much money as possible from one party of the citizens to give to the other.
Voltaire (1764)

Passionate About Investment

As with most things that involve passion, the first few months of an affair are full of excitement, discovery and fun.

Sadly the passion often fades, the love affair goes stale. You are left with something that seems to have evolved into something that you didn't buy in to at the outset.

You then have to employ an expensive, overpaid and arrogant professional to dispose of this passion and you crumble into an emotional wreck. Frightened to ever dip your toe in the water again and nursing a heavy financial loss.

At least this is my experience of buying a structured investment product!

Investments, in my experience, show great similarities to relationships - this is not an agony aunt column by the way.

Both have their ups and downs, both need work and understanding to make them succeed.

Importantly you have to pick the right one.

I am old fashioned in my approach to investment. I am faithful to the theory that you diversify, you understand what you have and you take an active interest in your investments.

There is ongoing debate about how brokers, independent financial advisers etc justify their fees and exactly where they fit in.

My experience has taught me most delve into what they do not understand like Inheritance Tax planning and few outperform the average person in the street.

They are akin to the Government, you have no real control over what they take off you and most of the time they make life more complicated and add cost burdens that need not exist.

They always get paid, disappear when the chips are down and you can never get hold of them when there is a problem. There are exceptions to every rule and in many ways I have just described most professionals.

The point is you are the client. I advise everyone to ask their advisers how much they take in commission and charges every year and how many hours they spend on your affairs. This can apply to anything from your pension to a portfolio of shares. Work out their hourly rate and then ask them to justify it...

I would then look at their comparative performance over the last few years.

Be brave - there are lots of opportunities, lots of investment houses many of which are realising their charges are unsustainable. If you don't ask you don't get. Personally I avoid them altogether.

With a bit of effort the passion may just return.

We welcome feedback on the MFU.

Does this issue raise any questions in your mind?

Would you like more information on a particular item?

Please ring one of our agricultural specialists:

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